

Incoming

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From: <Jeff_McKenzie@blm.gov>
To: "Wayne Hedberg" <WAYNEHEDBERG@utah.gov>
Date: 12/15/2006 3:35:00 PM
Subject: Re: Conference Call on Bear Canyon Mine Expansion draft Time line

Here's a look by Steve Rigby at the mine situation.

He said it looks like May 7th they will be at the FINAL line (rather than the May 15th discussed last week)....

(See attached file: Bear Canyon Timing 15 Dec 2006.xls)

As we have reviewed before, the timing can vary a few days with the geology and / or production rates.

They will be at red line "A" about February 28th - then unless approval is received will have to move the continuous miner section all the way out of headgate #1 and mine in the mains or the second headgate. This move will take about 5 days (there is a long tram to the next area). They will move the second continuous miner from the "Pulling Pillars" area to the mains (or second headgate) -- no extra moves for this unit. By May 7th one of the two production sections will hit up against artificial red line "B" or "C" and have to stop. They could move to develop Longwall Panel 11, but the longwall development is much more critical. (Also, this panel should not be mined until the very end of mining in this area to protect the integrity of the adjacent mains.) Shortly after May 7th the second production section will hit against a "red line" and all coal energy production will stop.

Cost to the company:

Unless the approval was to be received at the original date of February 28th, as discussed last summer, the mine will experience about ten days (five more days to return to headgate #1) of lost continuous miner development production. This totals some 20,000 tons (about 1000 tons per shift at 2 shifts per day) -- some \$400,000 of lost production and revenue to the company.

Risks to the company:

Anytime a continuous miner section of equipment is moved, it must be done very carefully because the workers are exposed to tramming equipment and moving cables outside of the normal production sequence.

We do not know the probability or magnitude of the following risks:

- market contracts - risk of contract penalties or lost sales due to a loss of production beyond the 20,000 tons they appear to have already assumed

- financial - risk of interest charges and loss or delayed cash flows for the much higher production longwall unit that will be waiting for development to be completed

Please let us know if you have any questions.

Thanks... Jeff

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12/14/2006 12:36 PM
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Subject
Conference Call on Bear Canyon Mine
Expansion draft Time line

This is sent to followup on our discussion during this morning's interagency conf call on Bear Canyon permit status. We agreed to have another conference call on Monday, December 18th @ 10:00 am.

The purpose is to discuss the draft time line that I have forwarded to all of the participating agencies. I would like to discuss the time line, any inaccuracies or oversights I may have missed and also solicit any ideas or suggestions the agencies may have to hopefully help us shorten the projected dates to reach final federal mine plan approval. We have a couple ideas we'd like to share and hope you may have some possible solutions/ideas as well.

Please use the same call in number that we use for the interagency conference calls.

Telephone Number: 1-866-258-0959

Password: *7602711* (star key before and after password)

Thanks to all for your cooperation and assistance. I look forward to hearing from you on Monday.

Wayne Hedberg
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